

AR22

1975
Annual Report

NORANDA
SUBSIDIARY

Tara Exploration
and Development
Company
Limited

TARA/ EXPLORATION AND DEVELOPMENT COMPANY LIMITED



Looking northeast across the plant site. In the foreground is foundation for a portion of the concentrator building with the concentrate loadout facility under construction in the upper part of the picture.

INDEX OF CONTENTS

Directors and Officers — Tara Exploration and Development Company Limited	2	Consolidated Statement of Exploration, Development and Administrative Expenditures Deferred	22
General Corporate Information	2	Consolidated Statement of Contributed Surplus	22
Directors' Report to Shareholders	3-19	Consolidated Statement of Changes in Financial Position	23
Conceptual Illustration of Surface Plant	14	Notes to Consolidated Financial Statements	24-26
Isometric View of Underground Workings	15	Directors and Officers — Tara Mines Limited	27
Idealized Flow Sheet of Concentrator	16	Directors and Officers — Tara Prospecting Limited	27
Schematic Diagram of Flow Sheet	16		
Consolidated Balance Sheet	20		
Auditors' Report to Shareholders	21		

BOARD OF DIRECTORS

SYLVESTER P. BOLAND,
Dublin, Ireland
*Vice President of Finance and Director,
Northgate Exploration Limited*

CHARLES CARVILL,
Newry, Northern Ireland
Business Executive

MATTHEW GILROY,
Dublin, Ireland
*Vice President and Director,
Northgate Exploration Limited*

JAMES HANRATTY,
Newry, Northern Ireland
Business Executive

PATRICK J. HUGHES,
Dublin, Ireland
*President and Director,
Northgate Exploration Limited*

BRENDAN J. HYNES,
Dublin, Ireland
*Deputy Chairman
and Chief Executive Officer,
Tara Mines Limited*

MICHAEL McCARTHY,
Ballinasloe, Ireland
Chairman, Tara Mines Limited

JOSEPH V. McPARLAND,
Dundalk, Ireland
Director, Tara Mines Limited

HUGH MURPHY,
Leicester, England
*Joint Managing Director,
Murphy Securities Limited*

PATRICK J. MURPHY,
Leicester, England
*Joint Managing Director,
Murphy Securities Limited*

MURROGH V. OBRIEN,
Dublin, Ireland
Director, Tara Mines Limited

JOHN J. TULLY,
Meath, Ireland
Secretary and Director, Tara Mines Limited

OFFICERS

MICHAEL McCARTHY,
President

MURROGH V. OBRIEN,
Executive Vice President and General Manager

SYLVESTER P. BOLAND,
Vice President

MATTHEW GILROY,
Vice President

BRENDAN J. HYNES,
Vice President

JOSEPH V. McPARLAND,
Secretary-Treasurer

TARA/

EXPLORATION AND DEVELOPMENT
COMPANY LIMITED

AUDITORS

Thorne Riddell & Co., Chartered Accountants,
Toronto, Canada

Griffin, Lynch & Co., Chartered Accountants,
Dublin, Ireland

SOLICITORS

Fasken & Calvin, Toronto, Canada

McCann, FitzGerald, Roche & Dudley,
Dublin, Ireland

REGISTRAR AND TRANSFER AGENT

Crown Trust Company,
Toronto, Canada

Charter Consolidated Limited,
Ashford, Kent, England

EXECUTIVE OFFICE

162 Clontarf Road,
Dublin, Ireland
Telephone 332211
Telex 5881

REGISTERED OFFICE

Suite 2602, Royal Trust Tower,
P.O. Box 298, Toronto-Dominion Centre,
Toronto, Canada M5K 1K2
Telephone (Area Code 416) 362-2781
Telex 06-217766

ANNUAL AND GENERAL MEETING OF SHAREHOLDERS

June 25, 1976, 10:00 a.m.
Quebec Room
Royal York Hotel
Toronto, Canada

Directors' Report to the Shareholders

The Directors present the 1975 Annual Report of the Company which includes the audited consolidated financial statements for the year ended December 31, 1975 and the Auditors' Report to the Shareholders.

The published statement on May 26, 1976 with respect to the finalization of the senior financing and the related confirmation of the scheduled commencement of production early in 1977 at the Navan Mine of your Company's subsidiary, Tara Mines Limited, was a most significant year end subsequent event.

Details regarding the financing arrangements for this approximate \$150 million project are tabled elsewhere in this Report.

The principal uncertainties in connection with the development, construction and production plans for the Navan Mine were finally resolved during the past year.

Initial resolution of lengthy negotiations came with the announcement on February 14, 1975 that agreement had been reached between the Irish Government's Minister for Industry and Commerce and Tara Mines Limited on the principal terms of a State Mining Lease for the Navan zinc-lead deposit.

This was finalized on September 19, 1975 when the Minister for Industry and

Commerce, the Minister for Finance and Tara Mines Limited formally executed the State Mining Lease, enabling the resumption of work on the project with additional interim financing through the Company's bankers.

Senior financing requirements were reassessed following a complete review of all aspects of the project and the financing arrangements were structured to incorporate these requirements.

The now completed financing for the Navan Mine project include bank loans totalling U.S. \$100 million and U.S. \$30 million provided under a loan agreement with the Canadian federal government's Export Development Corporation. The balance of the funds, consisting of equity financing and subordinated loans, was previously provided by your Company.

The U.S. \$100 million portion of the senior financing was arranged by The Toronto-Dominion Bank and three Irish Banks, Allied Irish Investment Bank, Bank of Ireland, and the Ulster Investment Bank. The Irish banks played a major role in the financing, providing 30% of the bank consortium loan.

In addition, Toronto Dominion Bank Investments (U.K.) Limited (a wholly owned subsidiary of The Toronto-Dominion Bank), Citibank N. A., The First National Bank of Chicago, the Bank of Nova Scotia, Commerce International



Above: View to the northwest of the parking lot at the Navan Mine.

Below: The development shaft headframe viewed through the electrical sub-station. Total connected electrical power load for the mine and surface plant is estimated at 27,400 kilowatts.



Trust Limited (a wholly owned subsidiary of Canadian Imperial Bank of Commerce) and Banque Canadienne Nationale (Europe) (a wholly owned subsidiary of Banque Canadienne Nationale (Canada) participated in the consortium.

The Royal Trust Company (Ireland) Limited will act as trustee on behalf of both the Export Development Corporation and the bank consortium.

These bank and buyer credit loans of \$130 million have been guaranteed unconditionally by Tara Exploration and Development Company Limited. In addition, Tara Exploration has guaranteed a separate standby facility to be advanced in the event of cost overruns. This standby facility of U.S. \$15 million has been provided by the Bank of Nova Scotia in combination with Toronto-Dominion Bank Investments (U.K.) Limited and Commerce International Trust Limited.

The standby facility is also guaranteed by the four principal corporate shareholders of Tara Exploration and Development Company Limited, Charter Consolidated, Limited of London, England, Cominco Ltd., Noranda Mines Limited and Northgate Exploration Limited, the latter three based in Canada.

The approximate respective equity ownerships of these principal shareholders in Tara Exploration is: Charter Consolidated 10.75%, Cominco 17.43%, Noranda 19.93% and Northgate 9.92%.

The equity of subsidiary Tara Mines Limited is owned as to 75% by your Company, and, in accordance with one of the terms of the State Mining Lease, the remaining 25% by the Irish Government's Minister for Industry and Commerce.

To date, expenditures on the Tara Navan Mine project total approximately U.S. \$76 million, which includes the equity funds and subordinated loans provided by the parent company. Additional expenditures to complete the project to scheduled commencement of production early in 1977 are estimated at U.S. \$74 million.

The various bank lines of credit referred to in the 1974 Annual Report as well as the similar lines of credit arranged during the 1975 fiscal year in the aggregate combined amount of \$31,291,103 were classified as a non-current liability. These loans together with the additional lines of credit obtained subsequent to the year end up to the time of the senior financing have been consolidated as part of the U.S. \$100 million loan arrangements.

Provisions for the repayment of the bank consortium loan of U.S. \$100 million and the buyer credit loan from the Export Development Corporation (E.D.C.) of U.S. \$30 million are as follows:

Interest on the bank consortium loan portion will be payable at a rate of 2% above the current London inter-bank rate for Euro-dollar loans. However, no interest payments are to be made until April 1, 1978 with the accrued interest to such date accumulating to the principal amount, thereafter interest payments are to be made quarterly.

The initial advance under the E.D.C. loan bears interest until July 20, 1977 at the rate of 11½%, thereafter and on the remaining amount at the rate of 9¾%. Interest on the E.D.C. loan will be payable quarterly.

Both the bank consortium loan agreement and the E.D.C. loan agree-



Above: This is a view looking to the southeast showing the structural steel work for the production shaft headframe at the right with its associated hoist house also under construction.

Alongside: Headframe of the development shaft with ventilation fan in foreground. **Below:** The mine changehouse and office. The mine changehouse has a capacity for 800 personnel. The offices for the mine and mill supervisors and engineering staff are located in this mine office and changehouse building.



ment require the payment of commitment commission of $\frac{1}{2}$ of 1% on the undrawn portions of the loan commitments payable quarterly.

The bank consortium loan is to be repaid in 16 principal payments which commence July 20, 1978. The last and final payment is to be made on April 20, 1982 when the loan matures.

The E.D.C. loan is to be repaid by 32 fixed principal payments, the first such payment to be made on April 20, 1978 and the last on April 20, 1986 when the E.D.C. loan matures subject to prior or advance payments.

The bank loan agreement and the E.D.C. loan agreement each provide for the extension of fixed principal payments for a period of up to six months in the event Tara Mines is unable to meet payments by reason of force majeure.

In addition to the aforementioned fixed payments, Tara Mines is obliged to make principal payments on both the bank loan and the E.D.C. loan equivalent to 80% of its excess cash flow up to a maximum of \$20 million in the aggregate in any year.

(Excess cash flow is defined as the cash generated by the mine during any year after deducting all operating expenses and all payments of principal and interest on the bank loan and the E.D.C. loan, payments of interest on the separate standby facility if the latter is required, and less provisions for necessary working capital).

These prepayments are divided proportionately between the bank consortium and the E.D.C. while both loans

are outstanding, and a smaller portion, 60%, will be applied totally to the E.D.C. loan when the bank consortium loan has been repaid.

Interest on any part or all of the standby facility is to be paid on a current basis only if and to the extent that sufficient funds are generated from operations.

Tara Mines has the right, at its option, subject to other requirements, to make additional prepayments under both loan agreements.

The separate standby facility, if utilized in whole or in part, will mature April 20, 1986 but advance prepayments can be made from the 20% portion of the excess cash flow, as previously defined. Provision has been made to terminate the standby facility in late 1978 if it is not required. The commitment fee with respect to the standby facility is $\frac{1}{2}$ of 1%.

Under the loan agreements, dividend payments are restricted to such aggregate amount available from the 20% of excess cash flow for any year, plus 100% of such excess cash flow in excess of \$20 million for any year.

Production Development Programme

Construction of the mine site surface facilities incorporated into the concentrator complex and underground mine development continue on schedule and within budget.

At the time operations were suspended during August, 1974 construction of the concentrator foundations, the permanent warehouse, the shops and change-house had commenced and engineering in connection with the process plant was about 70% complete.



During the period when the project was placed on a care and maintenance basis, structural steel fabrication and minor site work continued with respect to some of the surface buildings. In April, 1975 all equipment orders were reinstated and engineering design work resumed.

The momentum of work increased rapidly following the issuance of the State Mining Lease in September and by year end project expenditures had reached close to 40% of total cost.

Subsequent progress in both mine development and surface plant construction has been favourable. By April, 1976 structural steel for the production shaft headframe was completed and foundations for the related hoist and compressor building were well advanced. Steel fabrication for this building is now virtually complete.

Photographs appearing in this Report depict the progress in the surface plant construction up to the month of April, 1975.

The appended illustration of the underground workings of the Navan Mine shows the advance complete to April 30, 1976 including the progress in the raising of the production shaft. Work complete to date represents approximately 54% of the total required prior to the commencement of production. This is equal to 7,670 metres of total development advance and currently proceeding at a monthly rate of some 800 metres including slashing, which is moderately ahead of schedule. It is noted that the illustration of the underground workings depicts the ultimate or complete mine development, not all of which is required before the commencement of production.

Personnel employed on the site currently totals close to 900 persons and will increase to approximately 1,100 at the peak period of construction this summer.

Earlier announced plans for the installation of concentrate storage and shiploading facilities at Drogheda were changed in favour of establishing these facilities at the Dublin port. Planning approval has now been obtained from Dublin Corporation and the shiploader and tippler has been ordered. A spur rail line incorporated into the concentrator complex will connect with the State owned railroad approximately one mile distant. Tara's concentrates will be transported by railroad to the storage and shiploading facility at Dublin.

General Description of the Navan Mine

Tara's Navan Mine is located about one mile west of the town of Navan, County Meath, Ireland. Dublin, the capital city of Ireland, is approximately 30 miles south-east of the mine site. The site is owned by Tara and the site area, excluding the tailings pond, is about 420 acres.

To an exceptional degree, technological skills have been incorporated into the planning and design of the Navan Mine surface plant and surrounding landscape to meet the highest possible environmental and ecological standards. This is expected to ensure a minimal alteration of both the character and appearance of the local amenities.

A firm of consultants, with international experience in the design of modern industrial structures and a particular expertise in the construction of mineral processing plants, was retained by Tara Mines Limited in the early planning stages.

These and other qualified technicians in the field of noise, water quality and atmospheric conditions, working in close cooperation with both local and national bodies, have been involved in the project.

Extensive monitoring instruments have been installed at appropriate locations within the total area of influence of the complex and maintain a constant check on all elements.

The previous budget of \$5 million to create and maintain a maximum protection of the local environment was increased to approximately \$9 million.

Site photographs including those of the nursery bank of trees and shrubs, together with the artist's illustration of the surface plant when completed, demonstrates the high priority accorded environmental aspects in the planning and landscaping of the Navan Mine.

The nursery stock of trees and shrubs now exceeds 120,000 and during the past spring a total of some 3,500 trees were planted around the site. A model control farming project has been established and four 40-acre units have been located on the periphery of the plant site. The entire surface plant area will be enclosed by a fence, landscaped to blend into the local scenery.

The concept of the surface plant at the Navan Mine, combining modern architectural design with compatible coloured metal cladding for all buildings, enclosed ore and concentrate handling and storage facilities, and the off-site tailings pond, is both functional and aesthetically attractive.

The decision to proceed with a total underground mining operation in place of an initial open pit method was made on the basis of similar environment considerations.

Underground at the Navan Mine. To date, approximately 54% of the total development work required prior to the commencement of operations has been completed. This represents 7,670 metres of advance.



The concentrator, while conventional in basic design with rod and ball mill grinding, selective flotation, thickening and drying, embodies the most advanced technology of the industry. Large-sized equipment that has been proven in similar operations is generally specified. The concentrator is designed to produce separate zinc and lead concentrates. An idealized "flow sheet" showing the sequence of the treatment operations, stage by stage, through the various units of the concentrator, appears on page 16.

The mine is expected to provide approximately 2.5 million tons of ore per year during the 25 year term of the lease to feed the 7,500 tons per day concentrator. The mine and concentrator, as designed, will produce about 500,000 short tons of zinc and lead concentrates annually, operating under optimum conditions.

Forecast metallurgical recoveries for zinc and lead are 90% and 82%, re-

spectively. The zinc concentrate is expected to grade 56% zinc and the lead concentrate 62% lead. Zinc and lead concentrates will be shipped to several European smelting firms under sales contracts which provide for a diversion of zinc concentrate to an Irish refinery when such a facility is established.

The extent of the proven and well indicated ore reserves together with the potential reserves, indicates that mining at Navan should continue for several decades. With a projected average mill head grade of approximately 11.0% zinc and 2.4% lead, Tara's Navan Mine clearly ranks among the better deposits in the world in terms of tonnage and grade.

A work force of some 800 persons will be employed during mining operations. In addition, there is the multiplying factor for employment opportunities in related industries.





Scenes above and below show part of nursery bank of trees and shrubs which have been planted for the ultimate landscaping of the concentrator complex. Nursery now holds a combined stock of over 120,000 trees and shrubs.



Part of extensive tree nursery stock frames this picture of the development shaft headframe. During the spring of 1976 a total of 3,500 trees were planted around the mine site.



The Navan Mine in both its construction and operating phases will undoubtedly make an important contribution to the economy of Ireland.

Studies are continuing with associated companies with respect to a zinc refining facility which would be phased in at an appropriate time.

These studies are the extension of investigations initiated several years ago with respect to the location in the Cork area of an electrolytic zinc refining facility.

Economic Outlook

While cash generation from operations in the initial years of production is necessarily subordinated to debt repayment, it is relevant to make some observations regarding the economic outlook for the Navan Mine.

Relative prices and market demand for both zinc and lead impact heavily on the economic results of a mining operation such as Tara's Navan Mine. With the zinc and lead concentrate production in the approximate ratio of 5:1 and the proportionate contribution to revenue of about 85% and 15%, respectively, considerations relating to zinc prices and markets are of greater significance.

The major uses for zinc are in the galvanizing of steel products for the prevention of corrosion and die-casting components for the automobile and appliance industries. Therefore, the consumption of zinc is a factor of the economic activity of the industrialized nations. The significant quantities consumed by the automobile industry is of particular importance, as evident in the decline in consumption rates during the past two years, reversing a trend in the early 1970's during which

zinc consumption experienced an annual growth rate of close to 10%.

The value of galvanizing and other zinc coatings for corrosion resistance to give steelwork a longer economic life is well recognized; this major use of zinc, which is relatively price insensitive, is the largest market for zinc metal and should readily expand again as industrial growth recovers.

Excluding the often volatile and highly sensitive London Metal Exchange quotations which normally respond to very short term conditions of supply and demand, world zinc prices, notwithstanding declining consumption, have remained relatively buoyant. In the European and overseas markets, the relevant price on which concentrate sales will be based for Tara is the G.O.B. European Producer price.

The G.O.B. European Producer Price was increased twice in 1974, to £330 per metric ton in March and to £360 per metric ton the following September. In October, 1975 it was again increased to £390 per metric ton, but this last increase only reflected the depreciation of the U.K. £ sterling from U.S. \$2.32 in September, 1974 to U.S. \$2.06 in October, 1975. The G. O. B. Producer price is now quoted at U.S. \$795 per metric ton, which equates to a price of U.S. 36.06 cents per lb.

The imbalance between supply and consumption over the past two years has seen a pronounced build up in inventories which may inhibit price improvement over the medium term. However, with the improvement in economic conditions predicted for 1976 and probably on a continuing uptrend in future years, the long term outlook for zinc is favourable.

The Navan Mine which provides a long term and large tonnage source of



Conceptual illustration of Conco
Complex at Navan Mine,
County Meath Ireland

PUMP
HOUSE

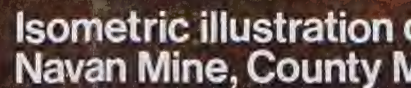
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This picture was taken early in 1975 showing the development shaft headframe in the foreground to the left. The compressor and hoist house and repair shop buildings are to the right.

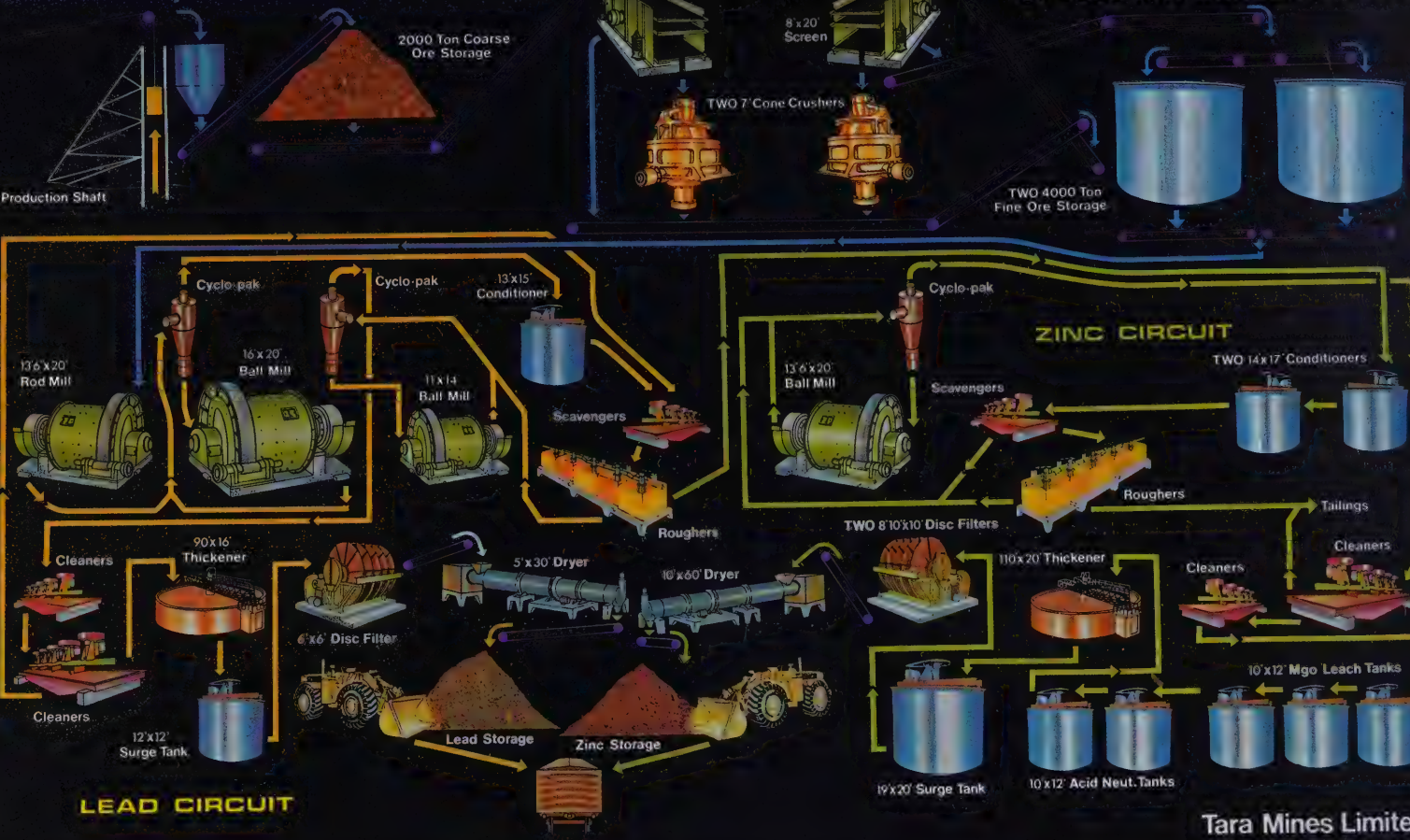
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Ore hoisted to surface via the production shaft is transported by a totally enclosed conveyor to the coarse ore-storage building. Ore is then reclaimed from the coarse ore storage building and conveyed to the crushing and screening plant located inside the main building for further crushing. The crushed ore passes to the fine ore bins into the mill for treatment. The various processes which take place within the concentrator building include further crushing, grinding, flotation, filtering and drying of the resultant zinc and lead concentrates. The "flow sheet" or sequence of the various treatment operations in the process, is shown in two separate illustrations overleaf.

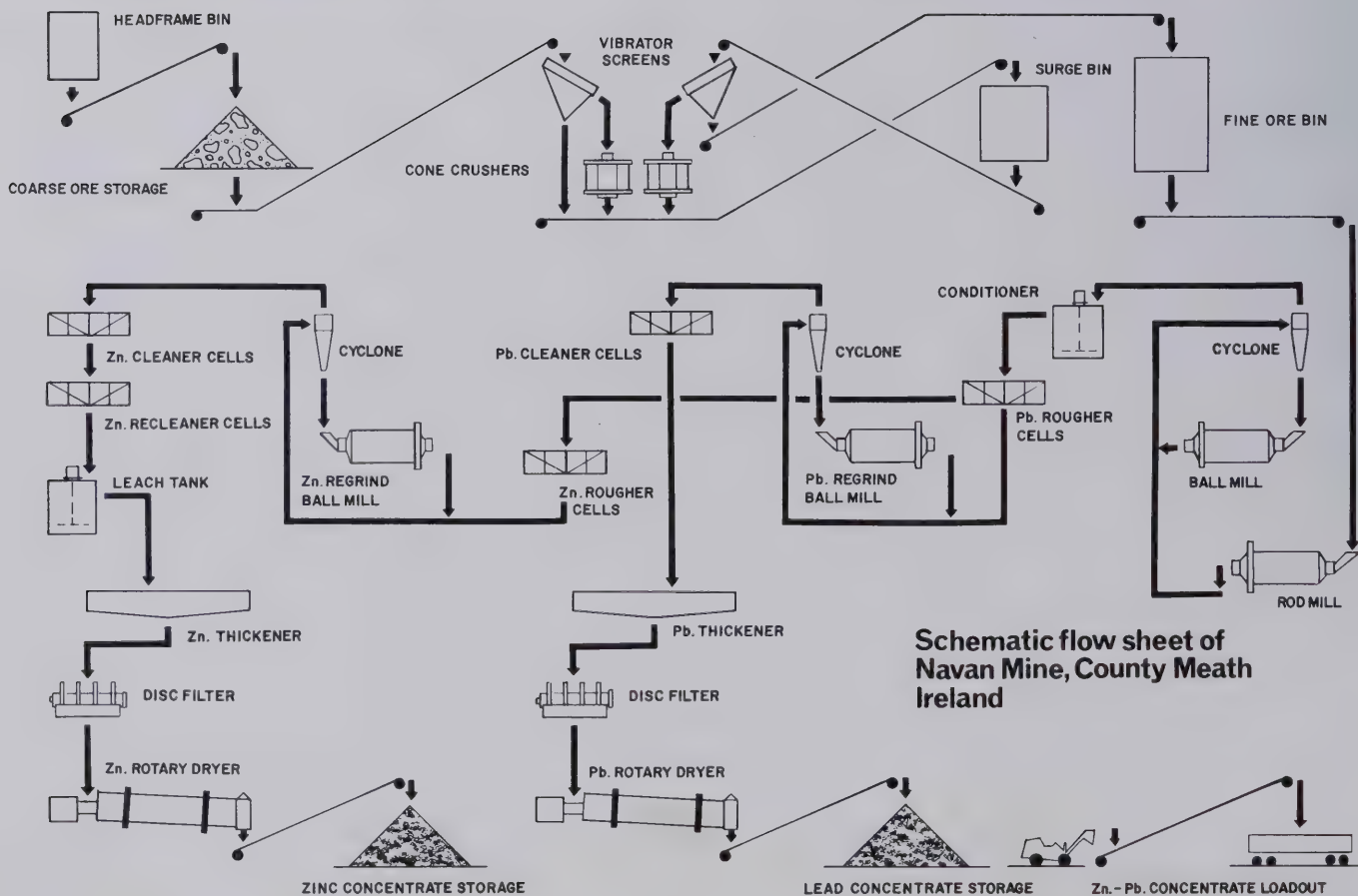


CONVEYING, CRUSHING & SCREENING

IDEALIZED FLOW SHEET DIAGRAM OF 7500 T.P.D. CONCENTRATOR



Tara Mines Limited



Schematic flow sheet of Navan Mine, County Meath Ireland



This is a partial view of the flotation section in the concentrator building. Flotation cells, filters and some large prefabricated tanks have been installed in conjunction with the current steel erection.

zinc in close proximity to the European market is an obvious economic advantage. European mine zinc production historically falls well short of consumption. In 1974, total European mine production was approximately 816,000 tons contrasted with estimated consumption of 1,770,000 tons.

General Prospecting in Ireland

During 1975, your Company, through its wholly owned subsidiary, Tara Prospecting Limited, continued to conduct active mineral exploration on its Republic of Ireland prospecting licences. The number of licences held was moderately reduced and the pace of activity on remaining licences increased in a concentrated effort to delineate targets suitable for diamond drill testing.

Uncertainties with respect to the difficulties in establishing ownership of mineral rights continues to constrain exploration activity throughout the Republic of Ireland. This problem is compounded by the absence of a clear and precise definition of the rights of prospecting licence holders in respect of mineral rights whether State or privately owned.

However, the Company intends to continue its long range programme which has been actively maintained in the Republic since 1962.

Exploration during the period included a considerable amount of core diamond drilling, and while no new mineral occurrences of substance have been intersected, a number of areas shows geological aspects which warrant further investigation.

Prospecting in connection with the licences covering a combined area of 29 square miles in close proximity to the Navan Mine area is carried out by Tara Mines Limited.

Investments

Mining operations of Northgate Exploration Limited, in which your Company holds an approximate 7.3% interest, were adversely affected in 1975 by a combination of lower metal prices, particularly with respect to lead and copper, which were down approximately 30% and 40%, respectively, from the average prices received during 1974, generally increased mine operating costs and a moderate reduction in production at the Tynagh Mine, County Galway, Ireland.

Consolidated net income of Northgate for 1975 was \$1,156,000 equal to 17¢ per share as compared with \$4,026,000 or 61¢ per share in the preceding year. Northgate's exploration activities were expanded considerably during the year and for 1976 the substantially increased budget of \$2 million is a positive measure of that company's intensified efforts and broadening of the geographic areas in which the search for new mineral deposits will be vigorously pursued.

Particular emphasis has been placed on joint ventures with its affiliate, Westfield Minerals Limited, in the State of Alaska, U.S.A., involving exploration programs for placer gold, uranium and base metals.

Organization

During the past year and in the early part of 1976 a number of important additions have been made to the technical staff of our subsidiary, Tara Mines Limited, to assist in the current construction and development programme at the Navan Mine and in preparation for the scheduled commencement of production early in 1977. Recruitment for other senior engineering positions is continuing.

Changes in the corporate organization were also made with the election to the Board of Directors of subsidiary Tara Mines Limited of Mr. William James, Executive Vice President of Noranda Mines Limited, and as an alternative director, Mr. John A. Hall, Vice President of Mine Projects, Noranda Mines Limited. Under the provisions of the State Mining Lease issued to Tara Mines Limited in respect of the Navan Mine, the Irish Government's Minister for Industry and Commerce is entitled to appoint three members to the Board of Tara Mines Limited. These members have yet to be named.

A representative of Charter Consolidated, Limited, Cominco Ltd., and Noranda Mines Limited have been invited to join the Board of Directors of your Company and are included in the nominees for election at the forthcoming Annual and General Meeting of Shareholders.

Subject to the approval by shareholders of a special by-law increasing the number of directors of the Company from twelve to sixteen, the following have accepted the Company's invitation to join the Board and are therefore nominees for election at the forthcoming Annual and General Meeting:

Mr. J. N. Clarke, Executive Director, Charter Consolidated, London, England.

Mr. F. E. Burnet, Chairman and Chief Executive Officer, Cominco Ltd., Vancouver, Canada

Mr. Alfred Powis, President and Chief Executive Officer, Noranda Mines Limited, Toronto, Canada

Your Company is fortunate in respect of the foregoing additional nominees for election to the Board of Direc-

tors. Each has an extensive background in the mining industry and brings to your Board an exceptional degree of experience and administrative expertise.

The Board of Directors gratefully acknowledge the effective efforts of all employees, who have contributed in substantial measure to the undertakings of the Company and its subsidiaries. They collectively represent an increasingly wide range of engineering, administrative and other specialized capabilities, cohesively directed in the furtherance of the Company's objectives.

It is with deep regret we record the recent death of Mr. Brian Byrne who had been associated with the Company as a geologist since the commencement of exploration activities in Ireland in 1962. At the time of his death, Mr. Byrne was chief exploration geologist for Tara Mines Limited at Navan, County Meath.

On behalf of the Board of Directors,

"Michael McCarthy"
President

June 1, 1976

TARA / *EXPLORATION AND DEVELOPMENT COMPANY LIMITED*

(Incorporated under the laws of Ontario)
and its subsidiary companies

CONSOLIDATED BALANCE SHEET

December 31, 1975

Expressed in Canadian dollars

Assets	1975	1974
Current Assets		
Cash, including term deposits	\$ 1,116,996	\$ 1,850,618
Accounts receivable	678,547	629,846
	<u>1,795,543</u>	<u>2,480,464</u>
Investments, at cost		
Northgate Exploration Limited (note 2)	4,339,826	4,339,826
Other companies (note 3)	373,471	373,471
	<u>4,713,297</u>	<u>4,713,297</u>
Fixed Assets, at cost		
Surface rights, buildings, equipment and construction in progress	34,244,518	20,600,563
Other Assets and Deferred Charges (note 4)	<u>32,986,390</u>	<u>17,855,811</u>
	<u>\$73,739,748</u>	<u>\$45,650,135</u>
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	\$10,496,730	\$ 3,824,011
Long Term Debt		
Bank loans (secured) (note 6)	31,291,103	16,126,641
Other loans (note 7)	3,826,596	
	<u>35,117,699</u>	<u>16,126,641</u>
Minority Interest	<u>2,425,836</u>	
Shareholders' Equity		
Capital Stock (note 8)		
Authorized —7,000,000 shares of \$1 each		
Issued —6,457,360 shares	6,457,360	6,457,360
Contributed Surplus	<u>18,977,213</u>	<u>18,977,213</u>
	25,434,573	25,434,573
Retained Earnings	<u>264,910</u>	<u>264,910</u>
	<u>25,699,483</u>	<u>25,699,483</u>
	<u>\$73,739,748</u>	<u>\$45,650,135</u>
Capital commitments (note 9)		
Approved by the Board		
MICHAEL McCARTHY, Director		
JOSEPH V. McPARLAND, Director		

Auditors' Report

To the Shareholders of
Tara Exploration and Development Company Limited

We have examined the consolidated balance sheet of Tara Exploration and Development Company Limited and its subsidiary companies as at December 31, 1975 and the consolidated statements of exploration, development and administrative expenditures deferred, contributed surplus and changes in financial position for the year then ended. Our examination of Tara Exploration and Development Company Limited (the parent company) included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. With respect to the subsidiary companies, of which we are not the auditors, we have carried out such enquiries and examinations as we considered necessary in order to rely on the reports of their auditors for purposes of consolidation.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1975 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
May 26, 1976

THORNE RIDDELL & CO.
Chartered Accountants

TARA / *EXPLORATION AND DEVELOPMENT COMPANY LIMITED*

CONSOLIDATED STATEMENT OF EXPLORATION, DEVELOPMENT AND ADMINISTRATIVE EXPENDITURES DEFERRED

Year Ended December 31, 1975

Expressed in Canadian dollars

	1975	1974
Mine exploration, development and administration	\$ 4,371,336	\$ 5,762,538
General exploration	419,994	241,764
Administrative and general expenses	900,344	1,105,989
Interest	3,138,113	1,034,457
Adjustment on currency conversion		528,467
	<u>8,829,787</u>	<u>8,673,215</u>
Deduct		
Dividends, interest and other income less taxes	200,078	459,563
Adjustment on currency conversion	281,059	
	<u>481,137</u>	<u>459,563</u>
Expenditures (net) for the year	8,348,650	8,213,652
Balance deferred at beginning of year	17,855,811	9,642,159
Balance deferred at end of year	<u>\$26,204,461</u>	<u>\$17,855,811</u>

CONSOLIDATED STATEMENT OF CONTRIBUTED SURPLUS

Year Ended December 31, 1975

Expressed in Canadian dollars

	1975	1974
Balance at beginning of year	\$18,977,213	\$18,641,073
Premium on shares issued		336,140
Balance at end of year	<u>\$18,977,213</u>	<u>\$18,977,213</u>

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Year Ended December 31, 1975

Expressed in Canadian dollars

	1975	1974
Source of working capital		
Issue of shares		\$ 361,140
Bank and other loans	\$18,991,058	16,126,641
Minority interest	2,425,836	
	<u>21,416,894</u>	<u>16,487,781</u>
Application of working capital		
Surface rights, buildings, equipment and construction in progress	13,643,955	11,490,574
Exploration, development and administrative expenditures (net)	8,348,650	8,213,652
Stores inventory	613,293	
Lease acquisition	6,168,636	
	<u>28,774,534</u>	<u>19,704,226</u>
Decrease in working capital position	7,357,640	3,216,445
Working capital (deficiency) at beginning of year	(1,343,547)	1,872,898
Working capital deficiency at end of year	<u>\$ 8,701,187</u>	<u>\$ 1,343,547</u>

TARA / *EXPLORATION AND DEVELOPMENT COMPANY LIMITED*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1975

Expressed in Canadian dollars

1. Summary of Significant Accounting Policies

(a) Principles of consolidation

The consolidated financial statements include the accounts of all subsidiary companies, the more significant of which are Tara Mines Limited and Tara Prospecting Limited.

(b) Currency conversion

Current assets and liabilities held in Ireland are converted to Canadian dollars at December 31, 1975 and December 31, 1974 at the approximate rates of exchange prevailing at those dates. Other assets and deferred charges, including exploration, development and administrative expenditures, are converted at the approximate rates prevailing when the expenditures were incurred.

(c) Exploration, development and administrative expenditures deferred

The company and consolidated subsidiaries are deferring expenditures to future operations with the intention of amortizing such costs against future revenues from operations.

(d) Depreciation

No provision for depreciation of fixed assets has been made from the dates of acquisition to December 31, 1975.

2. Investment in Northgate Exploration Limited

The quoted market value of 501,714 shares in Northgate Exploration Limited was \$1,580,400 at December 31, 1975 (December 31, 1974 — \$1,455,000). However, because of the number of shares held, the quoted market value is not necessarily indicative of their realizable value.

3. Investments in Other Companies

2,040,000 shares in Smelter Corporation of Ireland Limited (30% interest)	\$131,566
250,000 shares in Avoca Mines Canada Limited	153,037
	<hr/>
	284,603
Advances to Smelter Corporation of Ireland Limited	88,868
	<hr/>
	<u>\$373,471</u>

The quoted market value of the 250,000 shares in Avoca Mines Canada Limited, which operates a copper mine in Ireland, amounted to \$30,000 at December 31, 1975 (December 31, 1974 — \$25,000). Smelter Corporation of Ireland Limited is 70% owned by Northgate Exploration Limited and 30% owned by Tara Exploration. Smelter Corporation is a private company with no quoted market value for its shares.

4. Other Assets and Deferred Charges

	1975	1974
Exploration, development and administrative expenditures deferred	\$26,204,461	\$17,855,811
Lease acquisition	6,168,636	
Construction and other stores at cost	613,293	
	<u>\$32,986,390</u>	<u>\$17,855,811</u>

5. Navan State Mining Lease

The State Mining Lease in respect of the company's zinc/lead mining property near Navan, County Meath, Ireland, was executed on September 19, 1975 between the Minister for Industry and Commerce, the Minister for Finance and the company in accordance with the Agreement reached on the principal terms on February 14, 1975.

6. Bank Loans (Secured)

At December 31, 1975 various lines of credit totalling U.S. \$33,600,000 had been arranged for Tara Mines Limited. Bank loans totalling \$31,291,103 (including interest of \$2,845,543) have been classified as a non-current liability in anticipation of senior financing arrangements. The security for these interim loans was as follows:

- (a) A first and fixed specific charge on certain of Tara Mines Limited property and assets and a floating charge on the undertaking and its remaining property and assets.
- (b) Guarantees
 - (i) An unconditional guarantee of the company for the full amount of all loans.
 - (ii) Of the total amount, U.S. \$6,000,000 was entitled to the collateral benefit of a letter of assistance from Noranda Mines Limited and \$11,400,000 was entitled to the collateral benefit of a guarantee from Noranda Mines Limited and Northgate Exploration Limited. The remaining amounts were not subject to such guarantees. The consideration payable for these third party guarantees was a fee of 0.5% per month of the principal amount guaranteed by each guarantor.

Interest on amounts borrowed under these arrangements was payable at rates of 1% or 1.5% above the current London Inter-Bank rate for Euro-dollar loans.

The maturity date of these loans was March 31, 1976. Since December 31, 1975 a further line of credit in the amount of U.S. \$10,000,000 was arranged and maturity dates of all lines of credit extended to May 31, 1976.

These interim loans, including accumulated interest, were merged into senior financing arrangements with a consortium of banks, led by The Toronto-Dominion Bank, and, with the Export Development Corporation of Canada, provide for senior financing for the Navan Project.

7. Other Loans

On September 19, 1975 \$3,742,800 of the total loan of \$17,000,000 due by Tara Mines Limited to the company was assigned to the Minister for Industry and Commerce under the Agreement made by the company for the issue

TARA / *EXPLORATION AND DEVELOPMENT COMPANY LIMITED*

and its wholly owned subsidiary companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

of the State Mining Lease to Tara Mines Limited. This loan, which is subordinate to all financing arrangements entered into for the development of the Navan Mine, carries interest on the same terms as the senior financing. Both principal of and interest on this loan is payable in six semi-annual instalments to the lenders following repayment of the senior financing.

8. Capital Stock

(a) Issued

Shares of the company's capital stock have been issued as follows:

	Proceeds credited to		
	Capital stock	Contributed surplus	Total
In 1975	—	—	—
In 1974			
25,000 shares for cash on exercise of employees' stock options	\$25,000	\$336,140	\$361,140

(b) Warrants

During 1974, the company, with the assistance of Noranda Mines Limited, arranged a U.S. \$6,000,000 bank line of credit. In consideration for Noranda's assistance in arranging this line of credit, the company issued to Noranda five-year warrants to subscribe for 100,000 shares of the company's capital stock at \$16.00 per share.

(c) Employees' stock options

Pursuant to the Employees' stock option plan, options may be granted on up to 250,000 shares of the company's capital stock at prices not less than 90% of the market value of the shares on the dates the options are granted.

At December 31, 1975 options were outstanding as follows:

No. of shares	Price per share	Exercisable
9,000	\$16.43	May 1, 1972 to April 30, 1976
2,000	\$16.43	May 1, 1972 to April 30, 1977
20,000	\$22.95	May 1, 1974 to April 30, 1979

No employees' stock options were exercised during the year 1975.

9. Capital Commitments

The company's subsidiary, Tara Mines Limited, is committed to capital expenditures in the amount of \$16,508,000.

10. Remuneration of Directors and Senior Officers

Direct remuneration of the company's directors and senior officers (as defined by The Business Corporations Act, Ontario) amounts to \$120,405 for the year ended December 31, 1975 (1974 — \$168,433).

TARA / **EXPLORATION AND DEVELOPMENT COMPANY LIMITED**

and its wholly owned subsidiary companies

TARA MINES LIMITED

DIRECTORS

MATTHEW GILROY

Dublin, Ireland
*Vice President and Director,
Northgate Exploration Limited*

BRENDAN J. HYNES

Dublin, Ireland
*Vice President and Director,
Tara Exploration and Development
Company Limited*

WILLIAM JAMES

Toronto, Canada
*Executive Vice President,
Noranda Mines Limited*

MICHAEL McCARTHY

Ballinasloe, Ireland
*President and Director,
Tara Exploration and Development
Company Limited*

JOSEPH V. McPARLAND

Dundalk, Ireland
*Secretary / Treasurer and Director,
Tara Exploration and Development
Company Limited*

HUGH MURPHY

Leicester, England
*Joint Managing Director,
Murphy Securities Limited*

PATRICK J. MURPHY

Leicester, England
*Joint Managing Director,
Murphy Securities Limited*

MURROGH V. OBRIEN

Dublin, Ireland
*Executive Vice President
and General Manager,
Tara Exploration and Development
Company Limited*

JOHN J. TULLY

Meath, Ireland
*Director, Tara Exploration
and Development Company Limited*

OFFICERS

MICHAEL McCARTHY,
Chairman

BRENDAN J. HYNES,
Deputy Chairman and Chief Executive Officer

JOHN J. TULLY,
Secretary

ALTERNATE DIRECTORS

SIDNEY FILER

Dartmouth, England
*Managing Director, Smelter Corporation
of Ireland Limited*

JOHN A. HALL

Toronto, Canada
*Vice President Mine Projects,
Noranda Mines Limited*

PATRICK J. HUGHES

Dublin, Ireland
*President and Director,
Northgate Exploration Limited*

PETER McALEER

Dublin, Ireland
*Vice President,
Northgate Exploration Limited*

EXECUTIVE OFFICE

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*Telephone 332211
Telex 5881*

MINE ADMINISTRATIVE OFFICE

Kells Road, Navan,
County Meath, Ireland
*Telephone 21927
Telex 4568*

TARA PROSPECTING LIMITED

MICHAEL McCARTHY,
Director

MURROGH V. OBRIEN,
Director

JOHN J. TULLY,
Secretary



This picture shows the extensive nursery stock of trees and shrubs for ultimate use in the landscaping of the entire mining-concentrator complex. This is part of the total environmental and ecological programme for the Navan Mine with its present estimated budgeted cost of \$9 million.

